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BONDING OF FEDERAL EMPLOYEES

FISCAL YEAR ENDED JUNE 30, 1962

COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE



OCTOBER 22, 1962

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LETTER OF TRANSMITTAL

THE SECRETARY OF THE TREASURY,
Washington, October 1, 1962.

HON. LYNDON B. JOHNSON,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: In compliance with the specific requirements of section 14(c) of the act of August 9, 1955 (6 U.S.C. 14), I have the honor to transmit herewith a report of operations by Federal departments and establishments in connection with the bonding of officers and employees under the provisions of that act, for the fiscal year ended June 30, 1962.

Sincerely yours,

DOUGLAS DILLON.

III

REPORT OF OPERATIONS IN CONNECTION WITH
THE BONDING OF GOVERNMENT OFFICERS AND
EMPLOYEES UNDER THE ACT OF AUGUST 9, 1955,
FISCAL YEAR ENDED JUNE 30, 1962

Public Law 323, 84th Congress, 1st session, approved August 9, 1955, requires the Secretary of the Treasury to transmit to Congress on or before October 1 of each year a comprehensive report of operations under the act during the preceding fiscal year.

Pursuant to regulations promulgated by the Treasury Department in accordance with the above act, reports containing specific information concerning fidelity bonding are submitted to the Treasury Department by executive departments, independent offices, agencies, and establishments, and certain offices of the legislative and judicial branches. The tables in this report summarize the information submitted to the Treasury Department.

NUMBER OF EMPLOYEES COVERED

As of June 30, 1962, there were 1,007,581 employees covered by fidelity bonds, an increase of 2,626 over the number of employees covered as of June 30, 1961. The Post Office Department, with 931,500 employees covered by a blanket bond, accounted for 92 per cent of the total number of employees bonded as of June 30, 1962.

The following summary statement shows the number of employees covered, by type of bond, at the close of fiscal year 1962 as compared with the number covered as of June 30, 1961:

Type of bond	Executive		Number of employees				Total	
			Legislative		Judicial			
	1962	1961	1962	1961	1962	1961	1962	1961
Position schedule-----	39,311	37,543	176	175	51	50	39,538	37,768
Blanket-----	966,649	965,983	-----	-----	1,284	1,102	967,933	967,085
Individual-----	99	87	1	1	10	14	110	102
Total-----	1,006,059	1,003,613	177	176	1,345	1,166	1,007,581	1,004,955

The following comparative statement for the years 1961 and 1962 lists department and agencies in the executive branch with coverage in excess of 1,000 employees:

	Employees		
	1962	1961	Increase (+) or decrease (-)
Post Office Department.....	931,500	931,500	0
Department of State.....	23,734	23,385	+349
Federal Housing Administration.....	7,240	7,422	-182
Department of the Army.....	6,048	6,003	+45
Department of Agriculture.....	5,846	5,245	+601
Department of the Interior.....	4,918	4,392	+526
Treasury Department.....	4,612	4,260	+352
Department of the Navy.....	4,395	4,213	+182
Small Business Administration.....	3,165	2,795	+370
Veterans' Administration.....	2,426	2,364	+62
Department of the Air Force.....	2,183	2,188	-5
Department of Justice.....	2,179	2,150	+29
U.S. Information Agency.....	1,766	1,506	+260
Federal Aviation Agency.....	1,347	1,791	-444
Total.....	1,001,359	999,214	+2,145

NUMBER AND TYPE OF BONDS PROCURED

There were 211 bonds in force as of June 30, 1962, as compared with 203 as of June 30, 1961, and 700 as of June 30, 1957, the first full year for which reports were received. The decrease in the number of bonds in force since 1957 resulted from the use of blanket or position schedule bonds to cover a number of employees formerly covered by individual bonds.

Type of bond	Executive		Legislative		Judicial		Total	
	1962	1961	1962	1961	1962	1961	1962	1961
Position schedule.....	89	88	3	3	3	3	95	94
Blanket.....	5	6			1	1	6	7
Individual.....	99	87	1	1	10	14	110	102
Total.....	193	181	4	4	14	18	211	203

AMOUNTS OF PREMIUMS PAID FOR BONDS

The total premium cost of bonds in force as of June 30, 1962, was \$282,866. This compares favorably with prior year costs of \$287,857 for 1961; \$280,298 for 1960; \$273,699 for 1959; \$297,953 for 1958; and \$378,858 for 1957. The Post Office Department advises that an expected dividend of \$62,937 on its 2-year bond will serve to reduce the premium cost. The amount of the expected dividend has not been included in the tables.

The following summary statement shows the computed annual premium cost for bonds in force as of June 30, 1962, as compared with June 30, 1961. Most of the bonds, other than individual bonds, run for a period of 2 years. Premium costs on these bonds are shown

on the basis of the proportionate cost for 1 year, together with the premium costs on 1-year bonds, in order to arrive at an annual cost.

Type of bond	Computed annual cost of premiums on bonds in effect on June 30, 1962				Total as of June 30, 1961
	Executive	Legislative	Judicial	Total	
Position schedule.....	\$66,091	\$317	\$334	\$66,742	\$83,041
Blanket.....	213,761		1,191	214,952	204,018
Individual.....	923	67	182	1,172	798
Total.....	280,775	384	1,707	282,866	287,857

CLAIMS AGAINST SURETY COMPANIES

The following summary statement prepared on a cumulative basis covers the period from January 1, 1956, to June 30, 1962. In the fiscal year 1962, claims were filed against sureties in the amount of \$284,447 as compared with \$216,912 filed in 1961. Recoveries from sureties amounted to \$225,831 in 1962 as compared to \$206,474 in 1961.

	Cumulative, Jan. 1, 1956, to June 30, 1961	Fiscal year 1962	Cumulative, Jan. 1, 1956, to June 30, 1962
Claims filed with sureties.....	\$921,966	\$284,447	\$1,206,413
Recoveries from sureties.....	793,408	225,831	1,019,239
Pending against sureties.....	128,558	58,616	187,174

ADMINISTRATIVE EXPENSES

Administrative costs of surety bond procurement and related operations for the fiscal year 1962, for all agencies reporting, amounted to \$45,877. This includes expenses in connection with handling, examination, filing, maintenance of records, and correspondence. During fiscal year 1962 there was substantial bond procurement activity as most of the 2-year bonds expired December 31, 1961. The procurement of new bonds during fiscal year 1962 resulted in an increase of \$6,767 in administrative expenses over the preceding year.

The following summary table shows administrative costs for the years 1955 through 1962:

Fiscal year	Personal services	Printing and reproduction	Other expenses	Total
1955 ¹	\$502,961	\$1,638	\$2,501	\$507,100
1956 ²	65,692	1,940	1,834	69,736
1957.....	19,615	546	587	20,748
1958.....	27,229	896	1,381	29,506
1959.....	24,460	623	990	26,073
1960.....	33,577	1,205	861	35,643
1961.....	37,549	775	786	39,110
1962.....	44,089	1,489	299	45,877

¹ Last fiscal year prior to Public Law 323.
² Covers 9-month period from August 1955 to Apr. 30, 1956, for the first bonds procured under the act.

SUMMARY

During fiscal year 1962, operations under the act of August 9, 1955, resulted in benefits to the Government as compared with operations prior to the inception of the act. Savings in administrative costs during the fiscal year 1962, as compared to 1955, the last full fiscal year prior to the inception of the act, amounted to \$461,223. These savings exceed the annual premium cost of \$282,866 for bonds in force as of June 30, 1962, by \$178,357 which represents the net tangible savings to the Government. In addition, employees were relieved of paying premiums which, during fiscal year 1955, amounted to \$1,732,748.

The following statement reflects the savings in cost and the increase in coverage experienced under the act.

	Bonds in force Dec. 31, 1955, not procured under act of Aug. 9, 1955 ¹	Bonds procured under the act of Aug. 9, 1955, in force as of June 30, 1962	Increase (+) or decrease (-)
Number of officers and employees covered	909, 808	1, 007, 581	+97, 773
Aggregate penal sum	\$2, 056, 954, 540	\$3, 550, 016, 250	+\$1, 493, 061, 710
Annual premium rate:			
Paid by employees	\$1, 732, 748	0	-\$1, 732, 748
Paid by U.S. Government		\$282, 866	+\$282, 866
Administrative expenses paid by U.S. Govern- ment	\$507, 100	\$45, 877	-\$461, 223

¹ Includes employees of Internal Revenue Service who were formerly covered under bonds procured under sec. 7803(c) of the Internal Revenue Code of 1954.

There is attached a detailed statement showing for each reporting agency the number of bonds procured, number of officers and employees bonded, amount of premiums paid, and total penal sum relating to bonds in force as of June 30, 1962.

The individual reports received from agencies are available in the Treasury Department.

Statement showing bonds in force as of June 30, 1962, procured under act of Aug. 9, 1955, number and type of bonds procured, number of officers and employees bonded, amount of premiums paid reduced to annual rate, and aggregate penal amounts

Agency	Position schedule bonds ¹			Blanket bonds			Individual bonds			Totals		Aggregate penal amounts
	Num-ber of bonds	Number of em- ployees	Annual premium rate	Num-ber of bonds	Number of em- ployees	Annual premium rate	Num-ber of bonds	Number of em- ployees	Annual premium rate	Num-ber of bonds	Number of em- ployees	
LEGISLATIVE	1	19	\$25.45							1	19	\$25.45
	1	86	142.00							1	86	142.00
							1	1	\$67.50	1	1	67.50
	1	71	149.27							1	71	149.27
	3	176	316.72				1	1	67.50	4	177	384.22
JUDICIAL												
Administrative Offices, U.S. Courts	2	47	266.03	1	1,284	\$1,191.21	10	10	182.29	13	1,341	1,639.53
Supreme Court of the United States	1	4	67.30							1	4	67.30
Total judicial	3	51	333.33	1	1,284	1,191.21	10	10	182.29	14	1,345	1,706.83
EXECUTIVE												
White House Office	1	3	17.39							1	3	17.39
Bureau of the Budget and Council of Economic Advisers	1	14	66.05							1	14	66.05
Executive Mansion, Chief Usher							1	1	9.99	1	1	9.99
Office of Emergency Planning	1	9	9.00							1	9	9.00
National Aeronautics and Space Council	1	1	2.50							1	1	2.50
National Security Council	1	2	10.00							1	2	10.00
Agriculture	1	5,846	6,299.45							1	5,846	6,299.45
Commerce	10	796	784.57							10	796	784.57
Defense:												
Air Force	1	2,183	7,043.38							1	2,183	7,043.38
Army	1	6,048	12,478.00							1	6,048	12,478.00
Navy (includes Marine Corps)	1	4,395	18,035.67							1	4,395	18,035.67
Office of Civil Defense	1	40	200.00							1	40	200.00
Health, Education, and Welfare	1	923	358.00							1	923	358.00
Interior	1	4,918	5,894.00							1	4,918	5,894.00
Justice	2	2,179	1,088.13							2	2,179	1,088.13
Labor	1	92	91.97				66	66	330.00	67	158	421.97
Post Office				1	2,931,500	3,209,790.93				1	931,500	209,790.93
State				1	23,734	2,103.59				1	23,734	2,103.59

See footnotes at end of table, p. 7.

BONDING OF FEDERAL EMPLOYEES

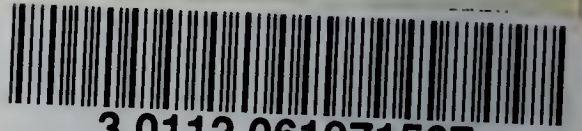
Agency	Position schedule bonds ¹			Blanket bonds			Individual bonds			Totals			Aggregate penal amounts
	Num-ber of bonds	Number of em- ployees	Annual premium rate	Num-ber of bonds	Number of em- ployees	Annual premium rate	Num-ber of bonds	Number of em- ployees	Annual premium rate	Num-ber of bonds	Number of em- ployees	Annual premium rate	
EXECUTIVE—continued													
Treasury-----	15	3,594	\$4,143.89	1	1,010	\$598.00	8	8	\$462.50	24	4,612	\$5,204.39	\$26,556,000
Agency for International Development-----	2	649	816.92	-----	-----	-----	-----	-----	-----	2	649	816.92	3,413,000
American Battle Monuments Commission-----	1	42	73.81	-----	-----	-----	-----	-----	-----	1	42	73.81	193,000
Atomic Energy Commission-----	1	173	281.86	-----	-----	-----	-----	-----	-----	1	173	281.86	1,159,900
Civil Aeronautics Board-----	1	8	14.95	-----	-----	-----	-----	-----	-----	1	8	14.95	34,000
Civil Service Commission-----	1	72	80.04	-----	-----	-----	-----	-----	-----	1	72	80.04	348,000
Civil War Centennial Commission-----	1	2	6.25	-----	-----	-----	-----	-----	-----	1	2	6.25	10,000
Commission on Civil Rights-----	1	5	15.62	-----	-----	-----	-----	-----	-----	1	5	15.62	6,500
Farm Credit Administration-----	1	67	200.00	-----	-----	-----	-----	-----	-----	1	67	200.00	1,380,500
Federal Aviation Agency-----	1	1,347	300.54	-----	-----	-----	-----	-----	-----	1	1,347	300.54	1,976,500
Federal Coal Mine Safety Board-----	1	3	11.10	-----	-----	-----	-----	-----	-----	1	3	11.10	15,000
Federal Communications Commission-----	1	10	69.38	-----	-----	-----	-----	-----	-----	1	10	69.38	47,400
Federal Home Loan Bank Board-----	1	4	14.80	-----	-----	-----	-----	-----	-----	1	4	14.80	20,000
Federal Housing Administration-----	-----	-----	-----	1	7,240	848.37	-----	-----	-----	1	7,240	848.37	20,182,500
Federal Maritime Commission-----	1	6	11.25	-----	-----	-----	24	24	120.00	25	6	11.25	15,000
Federal Mediation and Conciliation Service-----	1	26	93.24	-----	-----	-----	-----	-----	-----	1	26	93.24	150,000
Federal Power Commission-----	1	5	10.00	-----	-----	-----	-----	-----	-----	1	5	10.00	22,400
Federal Trade Commission-----	1	8	11.50	-----	-----	-----	-----	-----	-----	1	8	11.50	40,000
Foreign Claims Settlement Commission-----	1	2	13.26	-----	-----	-----	-----	-----	-----	1	2	13.26	8,500
Franklin D. Roosevelt Memorial Commission-----	1	2	6.25	-----	-----	-----	-----	-----	-----	1	2	6.25	10,000
General Services Administration-----	1	786	247.64	-----	-----	-----	-----	-----	-----	1	786	247.64	1,547,000
Housing and Home Finance Agency-----	1	28	39.15	-----	-----	-----	-----	-----	-----	1	28	39.15	1,132,500
Indian Claims Commission-----	1	2	7.40	-----	-----	-----	-----	-----	-----	1	2	7.40	10,000
Interstate Commerce Commission-----	1	36	43.78	-----	-----	-----	-----	-----	-----	1	36	43.78	130,500
International Boundary Commission, United States and Mexico-----	1	12	59.50	-----	-----	-----	-----	-----	-----	1	12	59.50	56,100
James Madison Memorial Commission-----	1	2	6.25	-----	-----	-----	-----	-----	-----	1	2	6.25	10,000
Lincoln Sesquicentennial Commission-----	1	2	6.25	-----	-----	-----	-----	-----	-----	1	2	6.25	10,000
National Aeronautics and Space Administration-----	1	95	132.24	-----	-----	-----	-----	-----	-----	1	95	132.24	545,000
National Capital Housing Authority-----	1	52	71.50	-----	-----	-----	-----	-----	-----	1	52	71.50	260,000
National Capital Planning Commission-----	1	3	20.25	-----	-----	-----	-----	-----	-----	1	3	20.25	30,000
National Gallery of Art-----	1	5	7.35	-----	-----	-----	-----	-----	-----	1	5	7.35	17,000
National Labor Relations Board-----	1	6	17.50	-----	-----	-----	-----	-----	-----	1	6	17.50	30,000
National Mediation Board-----	1	5	18.50	-----	-----	-----	-----	-----	-----	1	5	18.50	25,000
National Outdoor Recreation Resources Review Commission-----	1	1	1.85	-----	-----	-----	-----	-----	-----	1	1	1.85	1,000
National Science Foundation-----	1	18	13.37	-----	-----	-----	-----	-----	-----	1	18	13.37	69,000
Panama Canal Company-----	1	170	150.00	-----	-----	-----	-----	-----	-----	1	170	150.00	899,000

Peace Corps-----	1	35	7.38	---	---	---	---	---	1	35	7.38	138,000
Public Housing Administration-----	1	115	76.99	---	---	---	---	---	1	115	76.99	204,400
Railroad Retirement Board-----	1	84	193.68	---	---	---	---	---	1	84	193.68	435,000
Renegotiation Board-----	1	2	7.40	---	---	---	---	---	1	2	7.40	10,000
Securities and Exchange Commission-----	1	8	24.48	---	---	---	---	---	1	8	24.48	34,000
Selective Service System-----	1	129	186.97	---	---	---	---	---	1	129	186.97	613,000
Small Business Administration-----	---	---	---	1	3,165	420.19	---	---	1	3,165	420.19	4,308,000
Smithsonian Institution-----	1	10	34.00	---	---	---	---	---	1	10	34.00	45,000
Subversive Activities Control Board-----	1	3	20.82	---	---	---	---	---	1	3	20.82	12,000
U.S. Information Agency-----	1	1,766	1,481.70	---	---	---	---	---	1	1,766	1,481.70	7,552,000
U.S. Study Commission, Southeast River Basins-----	1	3	20.25	---	---	---	---	---	1	3	20.25	15,000
U.S. Tariff Commission-----	1	8	9.36	---	---	---	---	---	1	8	9.36	36,000
U.S. Tax Court-----	1	23	27.60	---	---	---	---	---	1	23	27.60	40,000
U.S. Territorial Expansion Memorial Commission-----	1	2	6.25	---	---	---	---	---	1	2	6.25	10,000
Veterans' Administration-----	1	2,426	4,599.09	---	---	---	---	---	1	2,426	4,599.09	14,467,250
Total executive-----	89	39,311	66,091.27	5	966,649	213,761.08	99	99	193	1,006,059	280,774.84	3,538,697,750
Grand total-----	95	39,538	66,741.32	6	967,933	214,952.29	110	110	211	1,007,581	282,865.89	3,550,016,250

¹ Includes 3 name schedule bonds.
² Includes approximately 320,000 Christmas assistants bonded for a short period.
³ Based upon premium payment of \$419,582 for a 2-year bond. A dividend payment of \$62,937 is expected to reduce the premium cost.



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